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FOOD FOR A NATION

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U.S. DEPARTMENT OF AGRICULTURE

"The interrelation between prosperity on the farm and economic health of the city has never been more apparent."

President John F. Kennedy.

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FOOD FOR A NATION

We are 183 million Americans.

For 16 million of us, agriculture is a paycheck every payday.

> We are the people who supply farmers. We make, ship, and sell tractors, combines, milking machines, fertilizers, fencing, building materials. We generate and transmit electricity. We refine petroleum or make tires.
>
> We also transport, store, process, manufacture and market farm products. We mill, bake, can, dehydrate, concentrate, or freeze food. We work in the meat and poultry packing houses. We are in the cotton and woolen mills, and in the sewing rooms. We put food and clothing aboard railroad cars, trucks, and ships; and unload them. We warehouse these products. We sell them.

For 7 million of us, agriculture is our present, our future, and the farm price of milk, fat steers, wheat, green beans, oranges, cotton, and wool.

> We are farmers and farm workers.

For all 183 million of us, agriculture is three square meals a day, most of the clothing we wear, and the wood products in our homes.

> We are the American consumers - - the taxpayers.

What happens to the farmer is of obvious concern to each of us. Our daily lives and our pocketbooks are affected by the kind of agriculture we have.

In this light, any farm program becomes a national program for 183 million Americans.

Objectives of a farm program

The objectives of a farm program should be:

1. To enable farmers to achieve incomes comparable with those received by other Americans for similar investments in labor, capital, and management skills;
2. To achieve a healthy and increasingly efficient and productive agriculture that will provide abundant food and fiber for each of us at fair prices;
3. To advance our economic growth and national prosperity, through better farm incomes and a sound farm economy;
4. To reduce costs of the Federal Government; and
5. To get maximum use of our abundance to meet needs and promote freedom at home and abroad.

To achieve these objectives, a farm program should attack both sides of the farm problem -- over-production and under-consumption. It should enable us to manage and use our agricultural abundance for the best interests of all Americans, and for strengthening the newly developing nations of the world.

A farm program should provide the tools with which farmers can adjust production to needs and demands at home and abroad.

It could do this by enabling representatives of farmers and consumers to adjust production, commodity by commodity, to meet current needs for each crop or product.

A farm program should provide the credit that farmers need to make production adjustments and increase efficiency as one means of lowering the cost of growing a pound of food or a pound of fiber.

Loan funds already have been increased to enable farm owners to build and repair farm dwellings and essential farm service buildings -- to buy livestock, equipment, feed, seed, fertilizer, and to pay for other farm operating expenses.

A farm program should increase consumption of farm products.

We are now helping to feed about 2½ million more unemployed and needy people than were receiving direct donations of food in January. They receive a better and more varied diet. The school lunch and special milk programs are being expanded. The Food for Peace program is being enlarged and made a more effective aid to the emerging, freedom-seeking nations of the world.

Why is production adjustment necessary?

Agriculture is comprised of 3.7 million farms. They vary in size from very small to large. The operators of these farms have had no means of adjusting total production to demand at home and abroad.

> In contrast, the corporate system gives industrial producers a mechanism to manage production. And collective bargaining enables labor to work together to obtain a fair price for its product.

No one farmer produces enough of any farm product to have a significant effect on the total supply of that product. Thus the individual farmer has little or no incentive to reduce production even when prices are declining. When prices for his crops and livestock are good, he tends to produce more. Who wouldn't?

> That's the way surpluses are created. Even a little too much in total supply of a crop or livestock shoves farm prices down and causes unsold stocks to accumulate.

How much adjustment is needed?

Only a small adjustment is required for total annual farm production. For some commodities, particularly feed grain and wheat, a greater adjustment is necessary.

The average annual stock accumulation for the 30 years 1930 through 1959 was less than 2 percent of total farm and ranch production. This includes all crops and all livestock products less consumption of American farm products at home and abroad.

Even for corn, wheat, grain sorghum, barley, rice, rye, oats, and cotton, the average annual stock accumulation was less than 3 1/3 percent during those 30 years.

But the situation has grown more serious for feed grains, food grains, and cotton since 1950. During the 5 years 1950-54, the annual average accumulation was nearly 4 percent; for the 5 years 1955-59, nearly 7 percent.

THE TAXPAYER AND A FARM PROGRAM

Because we have failed in the past to provide the tools with which farmers could adjust production to current consumption plus a reasonable food and fiber reserve, $8.9 billion of our tax money was tied up in stocks of farm products March 31, 1961.

The government costs of carrying and handling these stocks have risen from $238 million in fiscal year 1953 to $1 billion in the current fiscal year. This is the price we pay for storage, transportation, and interest.

We taxpayers do want enough food and fiber in reserve to meet any probable emergency. Most of us are willing to pay the cost of maintaining such a reserve. It is insurance against food shortage. We know that prices rise sharply with even small shortage. It is strength in time of national emergency to have a reserve food supply.

But the stocks now in storage, particularly wheat and feed grains, are far greater than we would need for any foreseeable emergency.

To save tax money, reduce stocks

These stocks have been growing rapidly in recent years -- by about 7 million tons of feed grains and about 130 million bushels of wheat each year.

Obviously, annual production must be brought more nearly in line with annual needs.

This is the practical way to reverse the flow, to reduce stocks, and to save tax dollars.

How rapidly stocks can be reduced, how many tax dollars can be saved, will be determined by how rapidly adjustment programs can be started, and the extent to which farmers cooperate in them.

Farmers will cooperate

Response to the 1961 Feed Grain Program is evidence that farmers will support and participate in a practical program to adjust production.

Within 8 weeks after the program became law, farmers had signed up to reduce corn and grain sorghum plantings by more than 20.6 million acres. And thousands of additional growers had indicated their interest in participating.

The corn acreage reserve of the Soil Bank reduced corn allotment plantings by only 6.7 million acres in 1958, its most successful year.

Feed grain program to save $500 million

Farmer cooperation in the Feed Grain Program this year will result in a net tax saving of at least $500 million.

This saving is the difference between the estimated $1 billion cost of the Government's adding to stocks the grain that would have been produced on the diverted acres and the estimated $500 million cost of the program. The savings will come in reduced costs for storage, transportation, and interest on the money invested in Government-owned farm products.

CONSUMERS AND A FARM PROGRAM

A farm program should assure each of us, and our children's children, abundant food and fiber at fair prices.

An ultimate goal should be food and other farm products at even lower real cost to us.

What we pay for food now

The real cost of our food is lower than it has ever been.

Wages from 1 hour of factory work buys 83 percent more round steak, 126 percent more milk, 138 percent more oranges, or 169 percent more bacon than in 1929.

We spend only one-fifth - - 20 percent - - of our take-home pay for food.

This is the cost of food which, increasingly, we buy in convenient forms -- as ready-mixes, as dehydrated flakes, as concentrates, or as heat-and-serve dishes.

Our diet is high in animal proteins -- in meat, poultry, and dairy products. Two-thirds of our protein comes from animal products. Red meat and dairy products represent only 2 percent of the Japanese diet, and 4 percent of the Indian diet.

Food is higher, but still a bargain

Food costs have risen less than the cost of most other items on the cost-of-living index.

For all items other than food, the increase is 30.9 percent since 1947-49. Transportation costs have gone up 45.7 percent; housing, 32.5 percent; rent, 43.1 percent; medical care, 59.6 percent.

For all food including that sold in restaurants, the increase is 21.2 percent.

Marketing costs are up

Food marketing costs are 36 percent higher than they were in 1947-49.

The number of workers marketing food is 12 percent greater. Their hourly earnings are 77 percent higher.

Prices of containers, packaging material, fuel, and most other items used in marketing are higher. Freight rates, interest rates, and other costs also are up.

We pay about $7\frac{1}{2}$ billion a year more than we did in 1940 for the convenience of having some of the work of food preparation transferred from the kitchen to the factory or restaurant.

But farm prices are down

The farmer receives 12 percent less for a typical "market basket" of farm-grown food than he did in 1947-49.

This accounts for the fact that, while marketing costs are 36 percent higher, the retail price of this market basket is only 12 percent higher.

And farm income is far below average

The average person living on a farm last year had an income of $986, including $30 in Government payments and $329 from nonfarm work and other nonfarm sources.

The rest of us averaged $2,282.

> In terms of 1947-49 dollars, the average person living on a farm had an income of $830 in 1950 and $828 in 1960. But the rest of us averaged $1,542 in 1950 and 17 percent more -- $1,804 -- in 1960.

Incomes of farm families are lower today, when compared with those of nonfarm families, than they have been at any time since the late 1930's.

Farm income must be increased

The American farmer cannot be expected to continue to invest his capital, labor, skill, and management ability for a material reward shockingly below our national average.

The 82 cents an hour a farm worker receives for his labor is only two-thirds of the minimum $1.25 an hour recently established by law to become effective a few years hence.

If their incomes are depressed below subsistence levels, which is a serious danger, farmers would swell the ranks of the unemployed and crowd already crowded areas of our cities seeking jobs.

Further decline in income for the family farm could lead to a type of agriculture that might control supplies and fix prices without regard for the interest of the public, the consumer, or the need to expand the use of food abroad to promote peace and economic progress.

No other segment of our national economy is safe when agriculture is depressed.

These are reasons why a farm program should increase and stabilize farm income.

Are higher farm prices the solution?

Since 1947-49, prices the farmer receives for his crops and livestock have dropped 12 percent, while prices he pays have risen 20 percent.

Certainly, if farm income is to be increased, this downward trend of farm prices must be reversed. To this end, moderate increases in price supports for major farm crops and products have been established.

But a sudden, sharp rise in prices of farm products at the farm gate is not the solution.

Our food bill and moderate farm price increases

The farmer's share of our food dollar is so small (only 39 cents in 1960) that moderate increases in farm prices have little total effect on our food bill. Thus, a 10 percent increase in farm prices is equivalent to only 4 percent at retail.

The more that food is processed between farm and kitchen, the less effect farm price increase has on its cost to us. For example:

- The farmer got 2 1/3 cents for the corn in a box of cornflakes selling for 25 4/5 cents in 1960.

If the farm price of corn rose from its average of about $1 per bushel in 1960 to $1.20, the farmer would get only one-half of 1 cent more for the corn in a box of flakes.

- The farmer received 2 1/3 cents for the wheat in a pound loaf of white bread selling for 20 1/3 cents last year.

Even if wheat went up from its 1960 average farm price of about $1.80 a bushel to $2, the farm cost of the wheat in a pound loaf of white bread would rise only one-fourth cent.

- The same thing is true with respect to nonfood farm products.

The grower in 1960 received 27 cents for the cotton in a dress shirt selling for $4.13. If the farm price of cotton went from its average of about 30 cents a pound in 1960 to 33 cents a pound, the grower would receive only 3 cents more for the cotton in this shirt.

The solution of the farm problem

The effective solution to the problem of low farm income, growing stockpiles, and increasing tax costs is a combination of:

Production adjustment.
Expanding consumption.
Even greater farm efficiency.

This approach is fair for consumer, labor, taxpayer, and farmer.

Farm efficiency can be increased

The amazing success story of this generation is the efficiency of agriculture.

One farm worker today produces food and clothing for 26 people.

One hour of farm labor produces 4 times as much food and fiber as it did in 1919-21. Crop production is 65 percent higher per acre. Output per breeding animal is 88 percent greater.

But this technological revolution in agriculture has just begun. Only a few farmers are using all of the new technology to best advantage. Research is continuing to discover even more efficient methods and improved crops.

If American farmers have some assurance of relatively favorable incomes in the 1960's, and if we use sound means for adjusting production to consumption, farmers will be able to make the best use of technological advances to develop a highly productive and flexible agricultural plant.

We already have the know-how

Milk production per cow averaged 7,004 pounds in 1960, as compared with 4,033 pounds in 1934 and 5,007 in 1947.

But the production per cow is more than 10,300 pounds of milk for cows in the Dairy Herd Improvement Association.

On the average, it takes about an hour and a half to produce 100 pounds of milk. Yet there are some herds producing 100 pounds of milk with half as much labor.

It now takes about 10 pounds of feed to produce 1 pound of gain in beef cattle.

But, using the best methods and rations presently available, 1 pound of beef cattle gain can be produced with $8\frac{1}{2}$ pounds of feed.

These are just a few of the ways farmers can increase efficiency, reduce production costs, increase their incomes, and provide each of us with abundant food at fair prices.

Farmers will continue to make the changes and invest the capital necessary to achieve greater efficiency -- if they know they can expect a reasonable return.

LABOR, INDUSTRY, AND A FARM PROGRAM

Farmers are important customers of business and industry.

They spend $25 to $26 billion a year for equipment, goods, and services to produce crops and livestock. They spend at least another $15 billion a year for family living items.

Each year, farmers purchase:

- $2.5 to $3 billion in new farm tractors and other motor vehicles, machinery, and equipment.
- $3.5 billion for fuel, lubricants, and maintenance of machinery and motor vehicles.
- $1.5 billion for fertilizer and lime.

Millions of jobs are created by these and other farm purchases.

And farmers, potentially, are even better customers of business and industry. Agriculture can grow as population grows, and consumption increases.

Much of the increased efficiency we expect of agriculture will come through additional labor-saving machinery and equipment, which, in turn, will require more electricity and fuel.

If farm gross income rises

If farm gross income rose $2 billion above the $34.4 billion farmers had in 1960, they would buy more automobiles, trucks, tractors, and other farm machinery.

Their equipment and machinery purchases might be increased by as much as $175 to $200 million.

They also would spend more for fuel, oil, and other petroleum products. They would increase their purchases of pesticides, containers, and other production materials.

Some would improve or build new homes. Others would make capital investments in new or better farm service buildings.

These purchases would help to stabilize employment and sales in those industries and in steel. Farmers also would purchase other production items, and make additional capital investments.

What would farmers do with the remainder of a $2 billion increase in gross income?

> They would use it for about the same things that urban consumers would -- for furniture, refrigerators, clothing, medical care, education for their children, recreation, debts, and savings.

In the process, their use of the remaining additional income would help to create and maintain jobs.

May 1961

Growth Through Agricultural Progress